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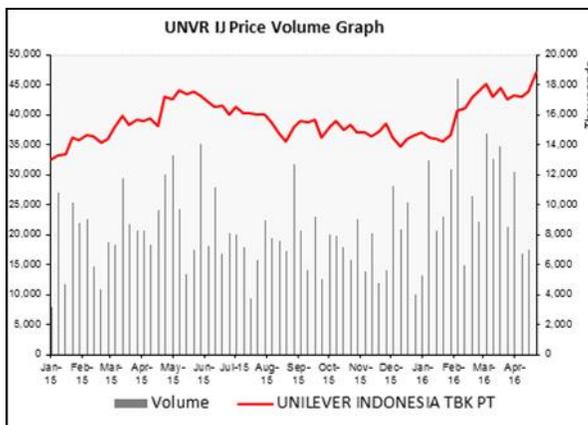


**PT Unilever Indonesia Tbk manufactures soaps, detergents, margarine, oil and dairy based foods, tea based beverages, ice cream and cosmetics.**

**Current Price: IDR 44,150**

**52-Week Target Price: IDR 38,500**

*Previous Target Price: IDR 38,500*



#### Share Price Performance

Price (IDR)	44,150
52-Week High (03/02/16)	47,800
52-Week Low (08/24/15)	33,000
52-Week Beta	0.98
YTD Change/%	7,150 / 19.32%

#### Stock Information

Market Cap (IDR)	336,864.5B
Shares Out/Float (M)	7,630.0 / 1,45.0 M

#### Company Update

### PT Unilever Indonesia Tbk (UNVR)

#### Unfavorable Bottom-Line Earnings

**NEUTRAL**

UNVR's 1Q16 earnings are still in-line with our forecasts, with both its top-line and bottom-line making up about 25% of our FY16 estimates. We maintain our NEUTRAL recommendation on PT Unilever Indonesia Tbk (UNVR) with our 52-week target price at IDR 38,500, representing a 12.8% potential downside.

**1Q16 flat bottom-line earnings and narrowing margin.** As of 1Q16, UNVR recorded its revenue at IDR 9,9tn, increased by 6.1% YoY, whereas its net income registered declined slightly by -1.4% YoY, accounted for IDR 1,57tn. We view rising revenue was majority contributed by selling price increases. However, gross profit margin seems to depressed slightly to 50.3% vs 51% in 1Q15 (52.4% in 4Q15) mainly due to higher production costs and limited price increase. Along with it, bottom-line margin was narrowing to 15.7% vs 16.9% in 1Q15.

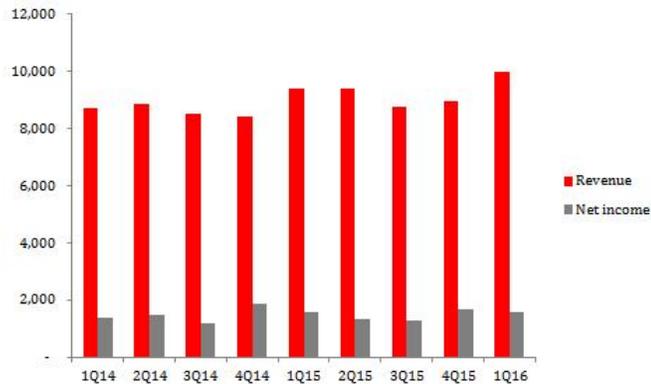
**Robust growth from food and refreshment business.** Taking a deeper look at UNVR's segment results, its food and refreshment business came out to be its primary growth driver, accounted for 14.1% YoY. In the other side, its home and personal care (HPC) business merely recorded a 2.8% YoY growth.

**Near term catalyst will depend on rising consumer sentiment.** We expect to see better performance for UNVR in 2Q16 only for a certain macroeconomic conditions, including further benign inflation and stable currency levels. We believe rising consumer sentiment remains to be main catalyst for UNVR, as pricing power will be limited due to tougher competition landscape. In addition, UNVR's sales volume seems to grow in slower pace.

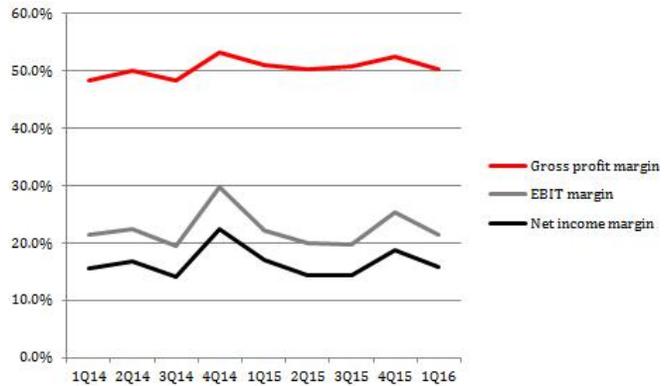
Though we believe UNVR is still the proxy to Indonesian FMCG company, we still maintain our NEUTRAL call on UNVR mainly due to valuation concerns. Currently, UNVR is traded at 56.7x P/E, compared to its 5-year average P/E at 42.3x. Our target price of IDR 38,500 implying its forward P/E at 48.4x.

Financial Highlights	2014	2015	2016E	2017F	2018F
Revenue	34,512	36,484	39,263	42,389	45,877
EBIT	8,013	7,939	8,279	9,346	10,210
EBITDA	8,388	8,444	8,714	9,798	10,670
Net Income	5,927	5,852	6,075	6,912	7,592
EPS (IDR)	777	767	796	906	995
Gross Profit Margin	49.9%	51.1%	51.2%	51.5%	51.5%
Net Income Margin	17.2%	16.0%	15.5%	16.3%	16.5%
ROE	128.9%	121.2%	125.8%	143.2%	157.3%
ROA	41.5%	37.2%	37.8%	42.5%	45.4%
P/E (x)	41.62	48.30	55.46	48.75	44.39

*Source: Company Data, Sinarmas Investment Research*

**UNVR revenue increase in 1Q16**


Source: Company, Sinarmas Investment Research

**UNVR margins narrowing in 1Q16**


Source: Company, Sinarmas Investment Research

**UNVR 1Q16 earnings**

	1Q15	4Q15	1Q16	YoY (%)	QoQ (%)	FY16	% to FY16E
Revenue	9,413	8,937	9,988	6.11%	11.76%	39,263	25.44%
Gross profit	4,803	4,685	5,021	4.53%	7.17%		
EBIT	2,088	2,259	2,146	2.79%	-5.01%	8,279	25.92%
Net income	1,592	1,668	1,570	-1.36%	-5.90%	6,075	25.84%
EPS	209	219	206	-1.44%	-5.79%		
Gross profit margin	51.03%	52.42%	50.27%				
EBIT margin	22.18%	25.28%	21.48%				
Net income margin	16.91%	18.67%	15.72%				

Source: Company, Sinarmas Investment Research

**Appendix I: Financial Statements**
**Balance sheet**

in IDR bn	2014	2015	2016E	2017F	2018F
Cash	859	628	917	720	773
AR	2,896	3,245	3,234	3,440	3,869
Inventories	2,326	2,298	2,310	2,493	2,699
Fixed Assets	7,348	8,321	8,459	8,432	8,184
<b>Total Assets</b>	<b>14,281</b>	<b>15,730</b>	<b>16,063</b>	<b>16,266</b>	<b>16,715</b>
Account Payables	4,632	4,842	4,632	5,092	5,693
ST Debts	1,250	1,700	1,600	1,200	700
<b>Total Liabilities</b>	<b>9,682</b>	<b>10,903</b>	<b>11,236</b>	<b>11,439</b>	<b>11,888</b>
<b>Total Equity</b>	<b>4,599</b>	<b>4,827</b>	<b>4,827</b>	<b>4,827</b>	<b>4,827</b>

Source: Sinarmas Investment Research

**Income statement**

in IDR bn	2014	2015	2016E	2017F	2018F
<b>Revenue</b>	<b>34,512</b>	<b>36,484</b>	<b>39,263</b>	<b>42,389</b>	<b>45,877</b>
CoGS	(17,305)	(17,835)	(19,157)	(20,559)	(22,241)
Gross Profit	17,207	18,649	20,106	21,830	23,636
<b>Operating Income</b>	<b>8,013</b>	<b>7,939</b>	<b>8,279</b>	<b>9,346</b>	<b>10,210</b>
EBITDA	8,388	8,444	8,714	9,798	10,670
<b>Pre-Tax Income</b>	<b>7,928</b>	<b>7,829</b>	<b>8,126</b>	<b>9,244</b>	<b>10,155</b>
Tax	(2,001)	(1,978)	(2,051)	(2,332)	(2,563)
<b>Net Income</b>	<b>5,927</b>	<b>5,852</b>	<b>6,075</b>	<b>6,912</b>	<b>7,592</b>
EPS	777	767	796	906	995

Source: Sinarmas Investment Research

**Cash flow**

in IDR bn	2014	2015	2016E	2017F	2018F
<b>Net Income</b>	<b>5,927</b>	<b>5,852</b>	<b>6,075</b>	<b>6,912</b>	<b>7,592</b>
Depreciation	375	505	435	452	461
Working Capital	(296)	(296)	(468)	(79)	(212)
<b>Operating CF</b>	<b>6,597</b>	<b>6,652</b>	<b>6,978</b>	<b>7,444</b>	<b>8,265</b>
Capital Expenditure	849	1,477	573	425	213
<b>Investing CF</b>	<b>(690)</b>	<b>(1,710)</b>	<b>(514)</b>	<b>(328)</b>	<b>(119)</b>
Debts	273	450	(100)	(400)	(500)
Dividends	5,927	5,852	6,075	6,912	7,592
<b>Financing CF</b>	<b>(5,309)</b>	<b>(5,173)</b>	<b>(6,175)</b>	<b>(7,312)</b>	<b>(8,092)</b>
Net - Cash Flow	598	(231)	289	(197)	54
Beginning Cash	261	859	628	917	720
<b>Ending Cash</b>	<b>859</b>	<b>628</b>	<b>917</b>	<b>720</b>	<b>773</b>

Source: Sinarmas Investment Research

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